

P-421/M-89-101, P-442/EM-89-159, P-481/M-89-176 APPROVING TARIFFS AND REQUIRING
FILINGS AND CUSTOMER NOTICES

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Northwestern Bell Telephone Company's Filing to Offer Intra-Numbering Plan Area Directory Assistance and Introduce Directory Assistance Access Charges

ISSUE DATE: September 8, 1989

DOCKET NOS. P-421/M-89-101, P-442/EM-89-159, P-481/M-89-176

In the Matter of AT&T's Filing to Offer Inter-Numbering Plan Area Directory Assistance

ORDER APPROVING TARIFFS AND
REQUIRING FILINGS AND CUSTOMER
NOTICES

In the Matter of United Telephone Long Distance Company's Filing to Offer Inter-Numbering Plan Area Directory Assistance

PROCEDURAL HISTORY

On February 22, 1989 Northwestern Bell Telephone Company (NWB) filed a proposal with the Minnesota Public Utilities Commission (the Commission) to make changes relating to Directory Assistance (DA) in its general exchange and access service tariffs. NWB proposed to change its present statewide DA to a numbering plan area (NPA) DA service, introduce a DA access charge to interexchange carriers (ICs) and reduce the carrier common line charge (CCLC) to offset the income effect resulting from these changes. A numbering plan area is a customer's area code area. NWB requested a March 17, 1989 effective date for the proposal. On March 21, 1989, NWB submitted revisions to the proposed CCLC rates.

On March 17, 1989, AT&T Communications of the Midwest, Inc. (AT&T) filed a proposal responding to NWB's DA filing. AT&T proposed to offer intrastate DA service to its customers seeking DA outside the customers' NPA. AT&T submitted supporting cost documents relating to the filing on March 23, 1989.

United Telephone Long Distance (UTLD) filed a proposal on March 23, 1989 to mirror the DA charges filed by AT&T.

The Minnesota Department of Public Service (DPS or the Department) filed its Report of Investigation and Recommendation dated April 28, 1989 which recommended that the Commission approve NWB's NPA-wide DA for its customers and modify NWB's proposals related to intrastate access charges and the reduction of the CCLC. Correspondingly, the Department also recommended revisions of the DA rates submitted by AT&T and UTLD.

AT&T and NWB responded to the DPS recommendations on May 8 and May 15, 1989 respectively.

The DPS filed an addendum to its report. The Residential Utilities Division of the Office of the Attorney General submitted comments on July 10, 1989.

The Commission met on July 13 and August 1, 1989 to consider these matters.

BACKGROUND

On February 1, 1989, District Court Judge Harold Greene approved the Civil Enforcement Consent Order (CECO) for U S WEST. This Order required NWB to review its business activities to ensure compliance with the Modification of Final Judgment (MFJ). Any business activities which may not comply with the MFJ had to be corrected by within 45 days of discovery.

During its review, NWB determined that its provision of intrastate DA may not be in compliance with the MFJ. To meet the 45 day deadline, on March 17, 1989, NWB changed from providing statewide DA to providing DA within a numbering plan area. Since that date, requests for DA outside of a customer's NPA or area code have been carried by an interexchange carrier (IC). AT&T and UTLD, which do not have an approved tariff on file for intrastate DA, do not currently bill their customers for inter-NPA DA calls. Both companies have filed proposed tariffs to provide DA services.

NWB also found it necessary to discontinue Direct Customer Access, a service which provides access to statewide DA information for 17 customers.

FINDINGS AND CONCLUSIONS

The Commission understands NWB's compliance with the CECO and the need to modify its DA tariffs. The Commission considered requiring the Company to seek a waiver from the MFJ which would allow it to provide directory assistance across NPA boundaries.

However, the Commission recognizes that this issue has been recently litigated and the Court has denied a similar waiver request. United States of America v. Western Electric Company, Inc., and American Telephone and Telegraph Company, No. 82-0192 (D.D.C. Oct. 30, 1984). The Commission will not require NWB to seek a waiver from the MFJ or relitigate this issue at this time. The Commission will approve NWB's proposal to revise its existing DA plan from a statewide plan to a numbering plan area plan and to discontinue its Direct Customer Access service.

DIRECTORY ASSISTANCE ACCESS CHARGES

The Commission must determine whether NWB's proposals to institute DA access charges and to offset the income effect of the DA access charges by reducing its CCLC result in fair and reasonable rates as required by Minn. Stat. § 237.06 (1988).

Since March 17, 1989, interexchange carriers (ICs) carry inter-NPA DA calls. However, ICs route the calls to NWB operator service locations which provide DA information. NWB proposed to charge ICs a flat rate of \$0.37 for each call to directory assistance. NWB maintains that this rate will cover its costs for the operator and operator services location. NWB is also proposing to charge for transport of the call. For the originating end of a call, NWB would charge the IC originating access consisting of end office switching, originating CCLC, and local transport. At the terminating end of a call, NWB would charge terminating access consisting of end office switching and directory transport. The directory transport rate would be \$0.0035 per call.

The DPS argued that under NWB's proposal:

1. the end user would pay substantially more for inter-NPA DA than he is paying today;
2. NWB would earn a return that is excessive, unreasonable and violates Minn. Stat. § 237.06 (1988);
3. the transport rates are not based on costs; and

4. in a similar filing in Iowa, NWB proposed a \$0.03 rate in addition to the same transport charges filed here, which is well below cost.

The Commission finds that NWB's proposed DA access charges are reasonable. The \$0.37 rate plus the directory transport rate of \$0.0035 is similar to the \$0.35 rate that NWB currently charges independent local exchange carriers (ILECs) for intra-NPA DA calls handled by NWB operators which was approved in In the Matter of a Summary Investigation into Northwestern Bell Telephone Company's Contracts with Local Exchange Carriers for Directory Assistance, Local Operator Assistance, Repair and Universal Calling Card, Docket No. P-999/CI-85-336, Order After Reconsideration to Require Tariffs and Order Approving Tariffed Rates (August 7, 1987). In its August 15, 1985 report in that docket, the Department stated that the \$0.35 rate charged to the ILECs was reasonable.

The Commission also finds that directory assistance access service is an access service. Interstate DA access service has been provided to the ICs in the interstate access tariff since the AT&T divestiture. The Commission has approved access rates similar to the ones proposed by NWB which are based on incremental cost and include a contribution to common costs. In the Matter of a Summary Investigation Into Intrastate Switched Access Charges Proposed by Northwestern Bell Telephone Company for Its Minnesota Customers, Docket No. P-421/CI-85-352 (February 24, 1986). The Commission does not believe it is reasonable to require the Company to price its DA service below cost; the argument that in Iowa the rates are below cost is not persuasive. Other states have different statutory and rule guidelines that do not apply here. The Commission concludes that NWB's proposed DA access charges result in fair and reasonable rates as required by Minnesota law and will approve them.

REDUCTION OF CARRIER COMMON LINE CHARGE

NWB will receive additional income from the above-approved DA access charges. NWB has proposed to reduce the carrier common line charge to offset this additional income. NWB argued that the income offset should be applied to the same customer group from whom the new access revenues are collected, the interexchange carriers (ICs). Further, the provision of DA to the ICs is an access service and the CCLC is an access rate element. Therefore, NWB argued that the reduction in the CCLC is appropriate.

The DPS disagreed with NWB, arguing that any offset against the CCLC in this matter should be limited to the extent of the increases in income due to access charges. Further, the DPS stated that reducing the CCLC would reduce long distance rates, not local rates. The DPS argued that income changes effected by the DA proposal should accrue to the end users of DA.

The Commission will approve NWB's proposed revenue offset. The Commission notes that directory assistance access service is an access service. Both DA access and the CCLC are access elements. The increased revenues resulting from an increase in one access element is appropriately offset by reducing another access element. Since the divestiture of AT&T, interstate DA access service has been provided to ICs in the interstate access tariff. Also, it is impossible to identify

specific end users who will be affected by the ICs providing DA service previously provided by NWB. Reducing the CCLC to offset the DA access charges will affect the ICs, the identifiable customers who will have increased bills from NWB. The Commission will approve NWB's proposal to offset the additional income it will receive from the provision of DA access by reducing the CCLC as it results in fair and reasonable rates as required by Minn. Stat. § 237.06 (1988).

During Commission meetings on this matter, AT&T indicated that it would reduce its customer rates to reflect the savings resulting from a reduced CCLC. The Commission believes that this will benefit endusers and endorses AT&T's plan. As previously discussed, it is not possible to identify specific customers who will be affected by AT&T's provision of inter-NPA directory assistance. AT&T's plan will flow the benefits of a reduced CCLC to its customers. The Commission will order the DPS to monitor AT&T's implementation of this plan and report on it within 60 days.

The Commission notes that NWB's proposal will not affect the rates its customers pay for intra-NPA DA calls or the rates the independent local exchange carriers (ILECs) pay NWB for intra-NPA DA. NWB will continue to provide intra-NPA DA services at the same rates to its end users. For intra-NPA calls that NWB carries for ILECs, NWB will continue to charge \$0.35 per call.

AT&T PROPOSAL

In response to NWB's proposal to offer DA access service, AT&T filed a DA service tariff and price lists. The filing would also assure that its presubscribed customers would continue to receive full DA service when seeking DA outside their home area code.

To provide its own DA service at this time, AT&T must subscribe to NWB's DA access service. AT&T explained that its tariff reflects the level of charges proposed by NWB for DA access service. The tariff contains a rate of \$0.60 per call with one uncharged call per month per customer billed account. This is the same rate that AT&T charges for DA for interstate calls.

Subscribers may request up to two numbers per DA call.

The DPS reviewed AT&T's proposed rate and compared it to the tariffed rates of AT&T's competitors. MCI charges \$0.55 after a one call allowance; U.S. Sprint charges \$.50 with a two call allowance; and, Allnet charges \$0.54 with no call allowance. The DPS recommended that the Commission approve AT&T's proposed rates subject to any changes in NWB's proposed DA access rates. However, the Department also argued that AT&T should give a credit allowance for wrong numbers provided by DA operators.

The Commission will approve AT&T's proposed tariff filing to charge \$0.60 per DA call with a one call allowance. The Commission notes that AT&T's proposed rate falls within the range of rates the Commission has approved for AT&T's competitors. The Commission finds that the proposed rate covers the incremental cost of the call and that the rate is fair and reasonable as required by Minn. Stat. 237.06 (1988). Further, the Commission agrees with the DPS that AT&T should establish a policy that a credit will be issued to end users when the Company is notified that a wrong number was quoted.

UTLD PROPOSAL

UTLD proposed to mirror DA charges filed by AT&T.

The DPS recommended that if NWB's DA access rates are approved, the rates proposed by AT&T are appropriate and that UTLD should be allowed to mirror AT&T's rates.

The Commission agrees for the reasons stated above and will approve UTLD's proposed tariff filing.

NOTICE REQUIREMENT

Finally to ensure that end users are provided with notice regarding changes to their directory assistance service, the Commission will require AT&T and UTLD to provide notice to their customers that they are changing their directory assistance call allowances and rates as a result of this proceeding. The Commission will order the companies to provide the type of notice normally provided for a rate change.

ORDER

1. Northwestern Bell Telephone Company's proposed directory assistance access tariff filing is hereby approved.
2. NWB is authorized to offset the income effect of directory assistance access charges by reducing its CCLC as modified in its May 15, 1989 filing.
3. Within 60 days, the Department shall report to the Commission on AT&T's implementation of its proposal to reduce its customers' rates as a result of NWB's lowered CCLC.
4. AT&T of the Midwest's proposed directory assistance service tariff is hereby approved with the condition that a policy will be established to provide a credit to end users for wrong numbers provided by directory assistance operators.
5. United Telephone Long Distance Company's proposed directory assistance tariff is hereby approved.
6. AT&T of the Midwest and United Telephone Long Distance Company shall provide the customer notice described above.
7. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)